## PERSONNEL AND POSITIONS

The City of Madison Heights employs 196 full-time positions yielding 6.3 full-time employees per 1,000 of City population based on the 2000 census count of 31,101. The City also employs 194 positions on a part-time or seasonal basis. Personnel services comprise approximately $21.6 million or 65.8% of the General Fund Budget representing an increase of 0.1% from last year due in large part to a 11% or $384,500 overall increase in medical insurance and a 58.26% or $145,200 increase in workers compensation. There are significant increases in workers compensation premium pricing due to several City employees falling victim to costly injuries over the last three year which have resulted in the City's workers compensation benefit multiplier increasing to 1.4.

With the exception of eight executive and administrative employees, all of the City's full-time work force belongs to one of eight bargaining units (seven City unions and the 43rd District Court Non-Supervisory group). Given that the labor agreements with all eight bargaining units expire June 30, 2008, the City is currently preparing to begin negotiations with all groups. No general wage adjustment is programmed in the FY 2008-09 Budget.

The City of Madison Heights is one of the few communities that have made sacrifices in order to provide prefunding of the retirees' benefits. While this funding has caused the City to make reductions that otherwise would not have been necessary, funding this liability is very important as it directly affects the City's ability to continue providing these benefits in the future, as well as preserve our high credit rating. In the FY 2008-09 Budget the General Fund expenditures for retiree benefits account for over $4.4 million. Of this amount $2.2 million is for pension benefits and $2.2 million is set aside for retiree health benefits.

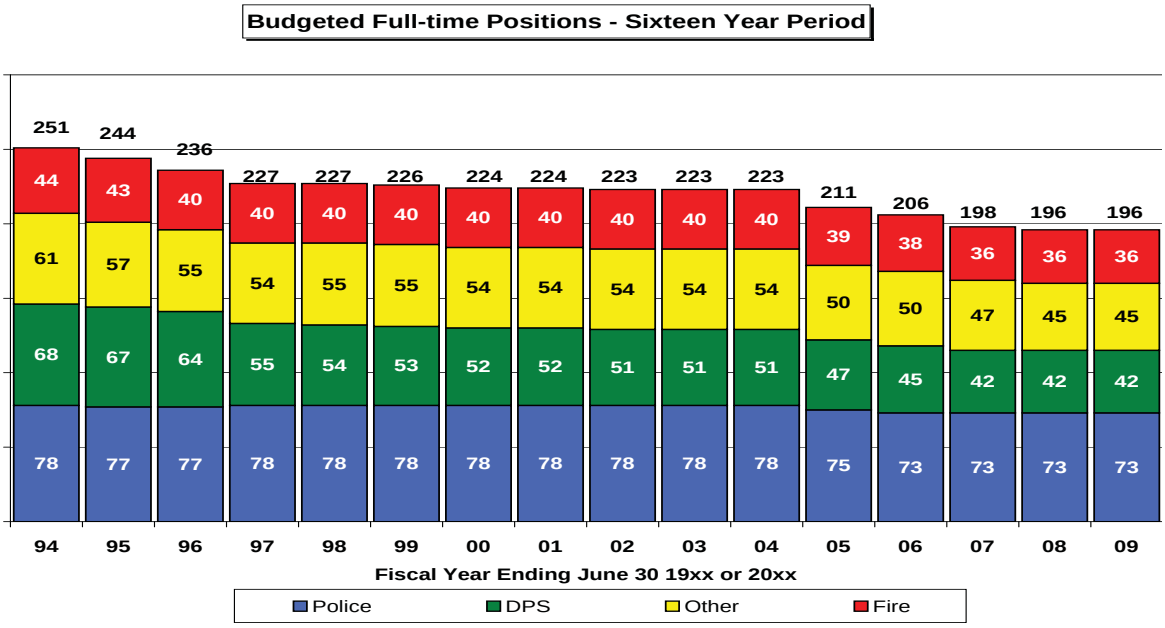
### Personnel Actions

The FY 2008-09 Budget reflects a total net reduction of .73 full-time equivalencies (FTEs). This includes the reduction of three (3) part-time position's hours and an increase in the number of election workers for the 2008 Primary and General Elections. The City's current hiring review of all full-time position vacancies will need to continue in Fiscal Year 2008-09.

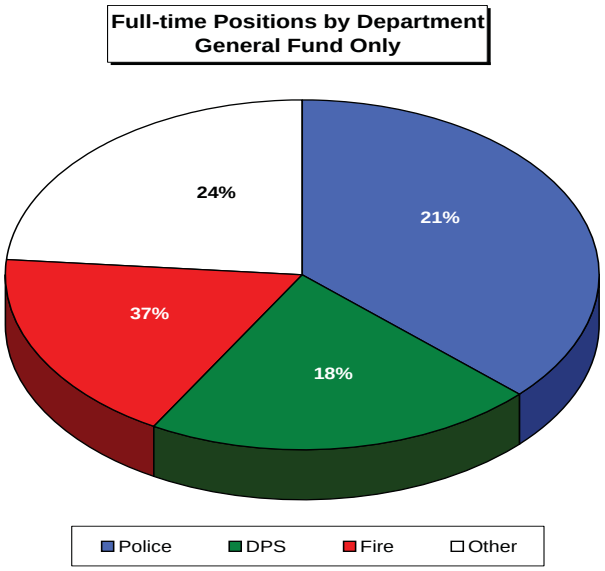
### The Work Force at a Glance

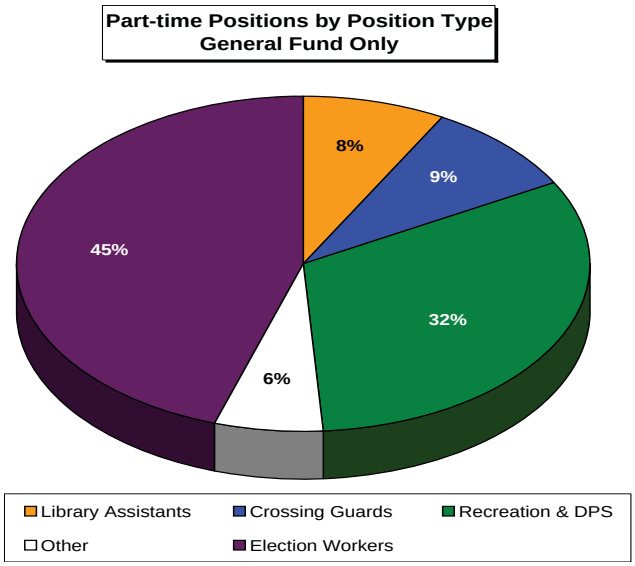
Beginning in Fiscal Year 1993-94, the City has been able to reduce the workforce without significantly compromising services, resulting in a leaner, more efficient organization. Fifty-five (55) full-time positions or twenty-two percent (22%) of the workforce have been eliminated since Fiscal Year 1993-94.

Presented below is a bar graph of budgeted full-time positions over the last sixteen years. The Appendix contains a table showing positions by fund and activity over a twenty-year period.




Continuing the analysis of the City's workforce, the following graphs illustrate the percentage breakdown of full and part-time employees for FY 2008-09. An Organizational Chart showing full-time employees by bargaining unit or non-union classification is presented in the Appendix.



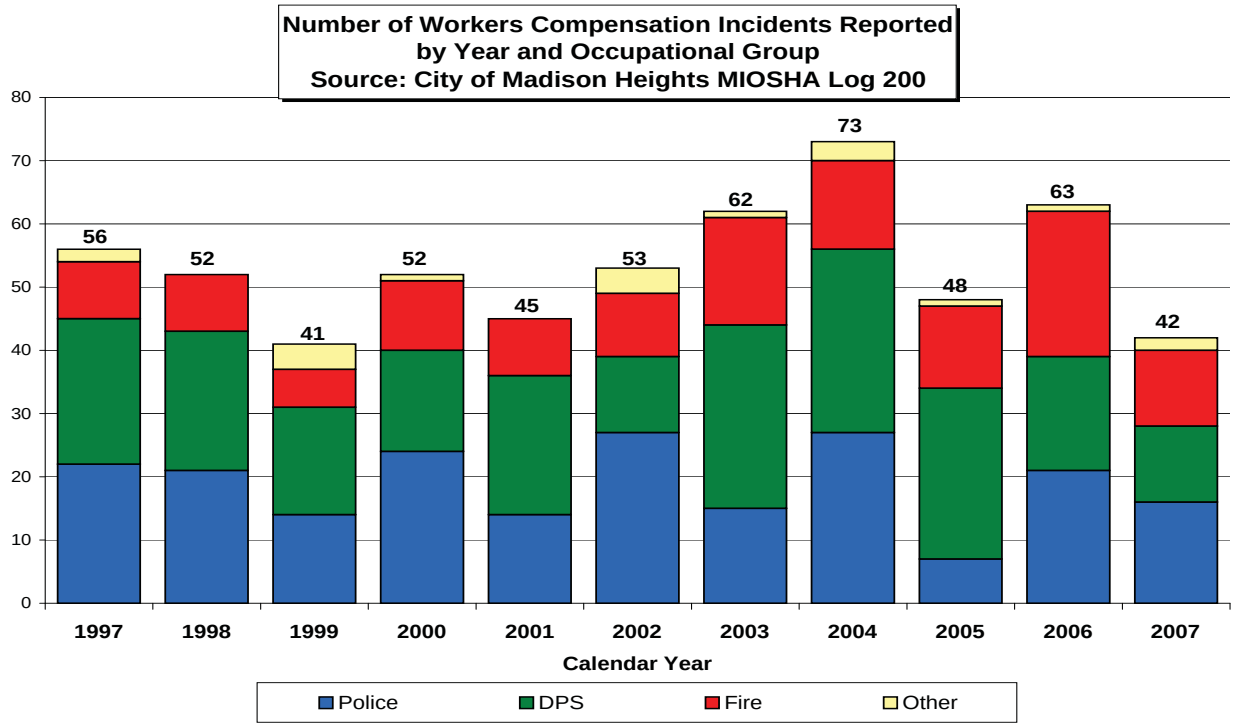

A breakdown of full-time and part-time positions in all funds is shown on the following page.

ALL FUNDS
FULL TIME AND PART TIME POSITIONS
INCLUDING FULL TIME EQUIVALENCY CALCULATION (F.T.E.)
FISCAL YEAR 2008 - 09

| | Actual 2006-07 | | | BUDGET 2007-08 | | | '07 TO '08 | BUDGET 2008-09 | | | '08 TO '09 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | FULL TIME | PART TIME | F.T.E. | FULL TIME | PART TIME | F.T.E. | F.T.E. CHANGE | FULL TIME | PART TIME | F.T.E. | F.T.E. CHANGE |
| General Fund | | | | | | | | | | | |
| District Court | 9 | 4 | 12.4 | 9 | 4 | 12.4 | 0.0 | 9 | 4 | 12.4 | 0.0 |
| City Manager | 2 | 0 | 1.9 | 2 | 0 | 1.9 | (0.0) | 2 | 0 | 1.9 | 0.0 |
| City Assessor | 4 | 0 | 4.0 | 3 | 1 | 3.9 | (0.1) | 3 | 1 | 3.4 | (0.5) |
| City Clerk | 3 | 67 | 3.8 | 3 | 67 | 3.8 | 0.0 | 3 | 89 | 4.0 | 0.2 |
| Human Resources | 2 | 0 | 1.5 | 2 | 0 | 1.5 | 0.0 | 2 | 0 | 1.5 | 0.0 |
| General Administration | 1 | 0 | 0.8 | 1 | 0 | 0.8 | 0.0 | 1 | 0 | 0.8 | 0.0 |
| Finance | 9 | 0 | 9.0 | 8 | 0 | 8.5 | (0.5) | 8 | 0 | 8.5 | 0.0 |
| Information Technology | 2 | 0 | 2.0 | 2 | 0 | 2.0 | 0.0 | 2 | 0 | 2.0 | 0.0 |
| Police | 73 | 18 | 76.6 | 73 | 18 | 76.6 | (0.0) | 73 | 18 | 76.6 | 0.0 |
| Fire | 36 | 1 | 36.3 | 37 | 0 | 36.5 | 0.2 | 37 | 0 | 36.5 | 0.0 |
| Community Development | 9 | 3 | 11.1 | 9 | 3 | 11.1 | 0.0 | 9 | 3 | 11.1 | 0.0 |
| Library | 4 | 15 | 9.7 | 4 | 15 | 9.7 | (0.0) | 4 | 15 | 9.3 | (0.4) |
| Department of Public Service | | | | | | | | | | | |
| Custodial & Maintenance | 1 | 0 | 1.2 | 1 | 0 | 1.2 | (0.0) | 1 | 0 | 1.2 | 0.0 |
| Streets | 13 | 1 | 3.9 | 13 | 1 | 3.4 | (0.5) | 13 | 1 | 3.4 | 0.0 |
| Solid Waste | 1 | 1 | 5.9 | 1 | 1 | 5.8 | (0.1) | 1 | 1 | 5.8 | 0.0 |
| Recreation | 1 | 39 | 2.2 | 1 | 39 | 2.2 | 0.0 | 1 | 39 | 2.2 | 0.0 |
| Youth Center | 0 | 4 | 1.8 | 0 | 4 | 1.6 | (0.2) | 0 | 4 | 1.6 | 0.0 |
| Nature Center | 1 | 1 | 1.5 | 1 | 1 | 1.5 | (0.0) | 1 | 1 | 1.5 | 0.0 |
| Parks | 5 | 7 | 6.5 | 4 | 7 | 6.1 | (0.5) | 4 | 7 | 6.1 | 0.0 |
| Senior Center | 2 | 7 | 5.5 | 2 | 7 | 5.5 | (0.0) | 2 | 7 | 5.5 | 0.0 |
| Sub Total | 24 | 60 | 28.5 | 23 | 60 | 27.2 | (1.3) | 23 | 60 | 27.2 | 0.0 |
| Total | 178 | 168 | 197.6 | 176 | 168 | 195.7 | (1.9) | 176 | 190 | 195.0 | (0.7) |
| Major Street Fund | 1 | 1 | 3.4 | 1 | 1 | 3.4 | 0.0 | 1 | 1 | 3.4 | 0.0 |
| Local Street Fund | 0 | 1 | 3.7 | 0 | 1 | 3.7 | 0.0 | 0 | 1 | 3.7 | 0.0 |
| Community Imporvement Fund | | | | | | | | | | | |
| Housing | 2 | 1 | 1.9 | 2 | 0 | 1.5 | (0.4) | 2 | 0 | 1.8 | 0.3 |
| Comm. Dev. Block Grant | 1 | 0 | 1.5 | 1 | 0 | 1.5 | 0.0 | 1 | 0 | 1.3 | (0.3) |
| Total | 3 | 1 | 3.4 | 3 | 0 | 3.0 | (0.4) | 3 | 0 | 3.0 | 0.0 |
| Water & Sewer Fund | | | | | | | | | | | |
| Water Division | 6 | 1 | 6.4 | 6 | 1 | 6.4 | (0.1) | 6 | 1 | 6.4 | 0.0 |
| Sewer Division | 5 | 1 | 5.4 | 5 | 1 | 5.4 | (0.1) | 5 | 1 | 5.4 | 0.0 |
| Water & Sewer Admin.. | 1 | 0 | 1.3 | 1 | 0 | 1.5 | 0.2 | 1 | 0 | 1.5 | 0.0 |
| Total | 12 | 2 | 13.1 | 12 | 2 | 13.2 | 0.1 | 12 | 2 | 13.2 | 0.0 |
| Motor Pool Fund | 4 | 0 | 4.0 | 4 | 0 | 4.0 | 0.0 | 4 | 0 | 4.0 | 0.0 |
| Total All Funds | 198 | 173 | 225.2 | 196 | 172 | 223.0 | (2.2) | 196 | 194 | 222.3 | (0.7) |

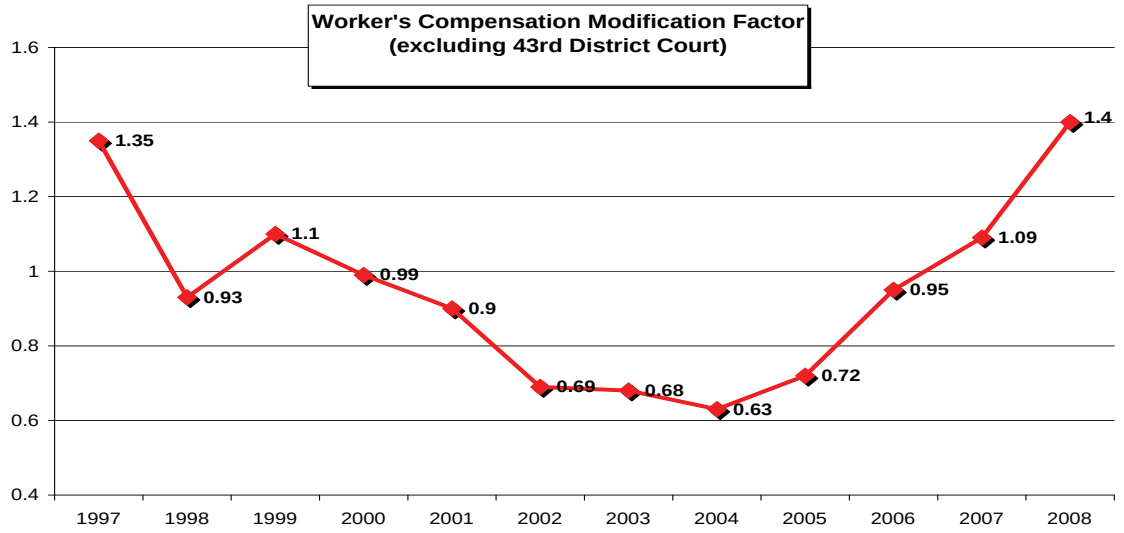
On-The-Job Injury Experience

In August of 1998, the Personnel Department implemented a return-to-work program wherein employees off on long-term periods of workers compensation leave are returned to work in temporary "bridge" assignments. These jobs vary according to medical restrictions and the type of work needed. As shown in the bar graph on the following page, the program has had some early success, although several severe long-term injuries in Public Services, Police and Fire have yielded an increase in the number of worker's compensation incidents in 2003, 2004, and 2006.



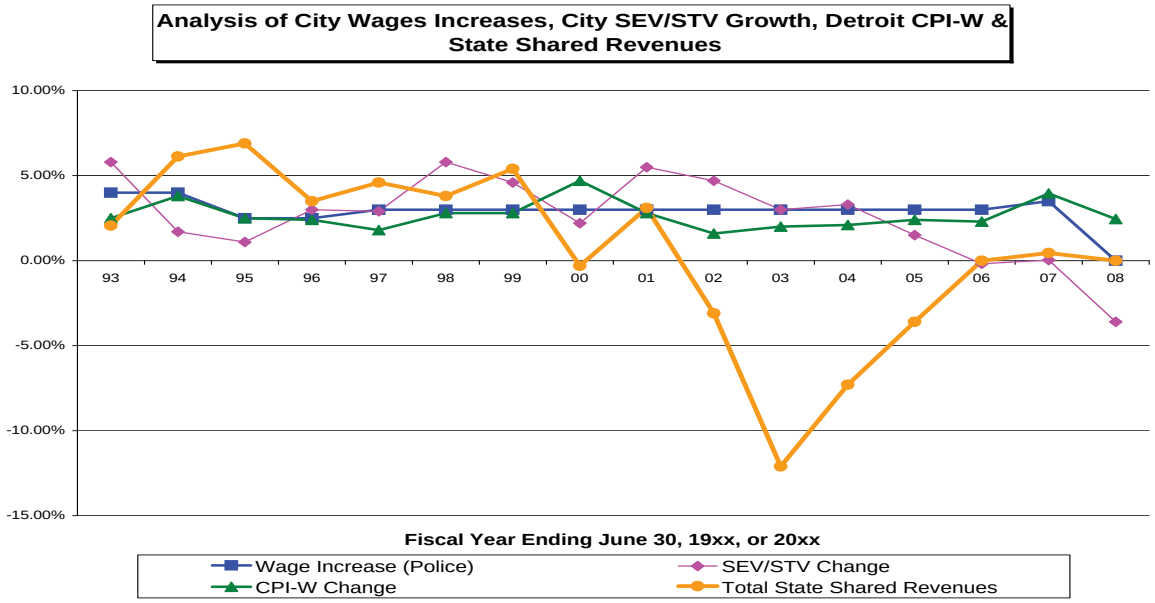

Another important measure of the City's workers compensation experience is the annual experience modification factor provided by the Michigan Municipal League Worker's Compensation Fund, which is the City's insurance carrier for workers compensation. This number directly affects the City's annual workers compensation premiums. Presented below is the City's modification factor over the last twelve years. The lower the "mod factor", which is multiplied by the standard premium to achieve the City's actual premium, the lower the City's actual annual premium. A mod factor of 1.0 represents average experience. Positive claim experience from 2000-2005 allowed the City to forestall premium increases and in fact save over $359,000 in premiums. In 2007 this mod factor was 1.09 and in 2008 the factor increased to 1.40 due to several Police, DPS and Fire claims filed over the past three years.

The next chart details the mod factor for the City excluding the 43rd Disctic Court over the last twleve years.




## A Look at Wages and Fringe Benefits

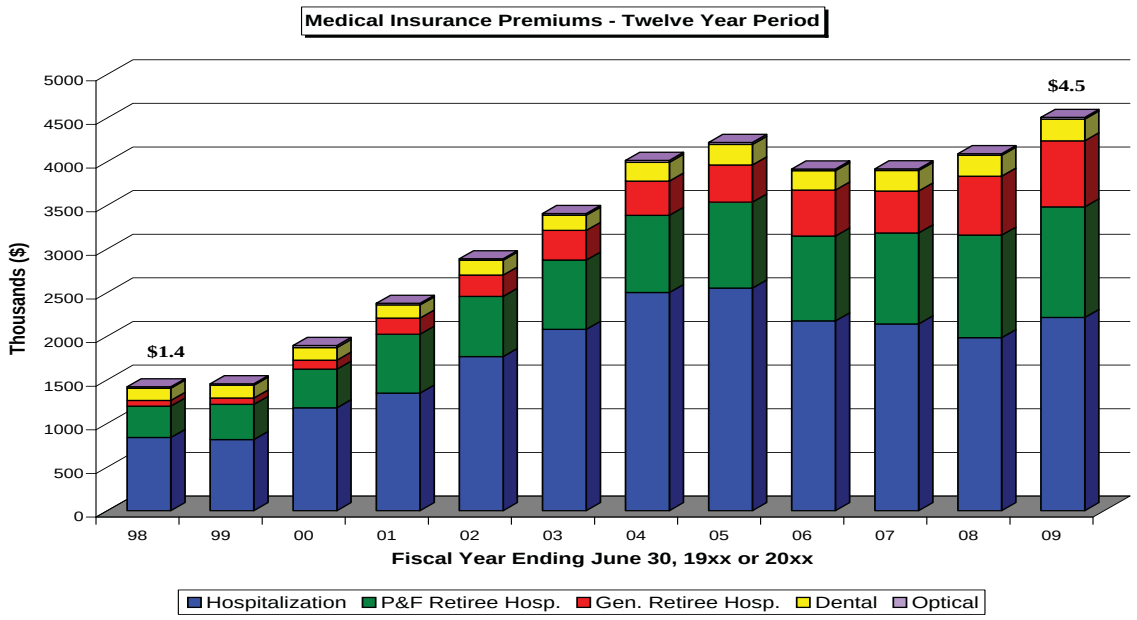
Planning for labor negotiations and the future growth of wages requires an understanding of how the City's wages have measured up against the City's ability to pay (i.e. growth in tax base) and local inflationary pressures. The next line chart plots the City's overall wage increases for all bargaining units against changes in the City's State Equalized Valuation (SEV) / State Taxable Value (STV), Detroit area Consumer Price Index (CPI-W), and Total State Shared Revenues.




The mild recession of the early nineties is reflected in the downward trend in SEV/STV for those years. Beginning in FY 1993-94, wages, inflation, and SEV start to converge. Since FY 1994-95, wages and CPI-W have continued between 2½% and 4% while SEV/STV has fluctuated somewhat due to new construction and the State's changes in the property tax valuation rules. However, in FY 2008-09 this convergence is projected to drastically change as the City tries to cope with fewer revenues no wage increases are planned, while the SEV/STV has dropped 3.6%. This is the largest downturn in SEV/STV that the City has experienced. This directly affects the taxes collected by the City and results in decreasing the City's ability to pay, based on the lack of growth in the principal source of property tax revenue, being lower than CPI and wages.

## Medical Insurance

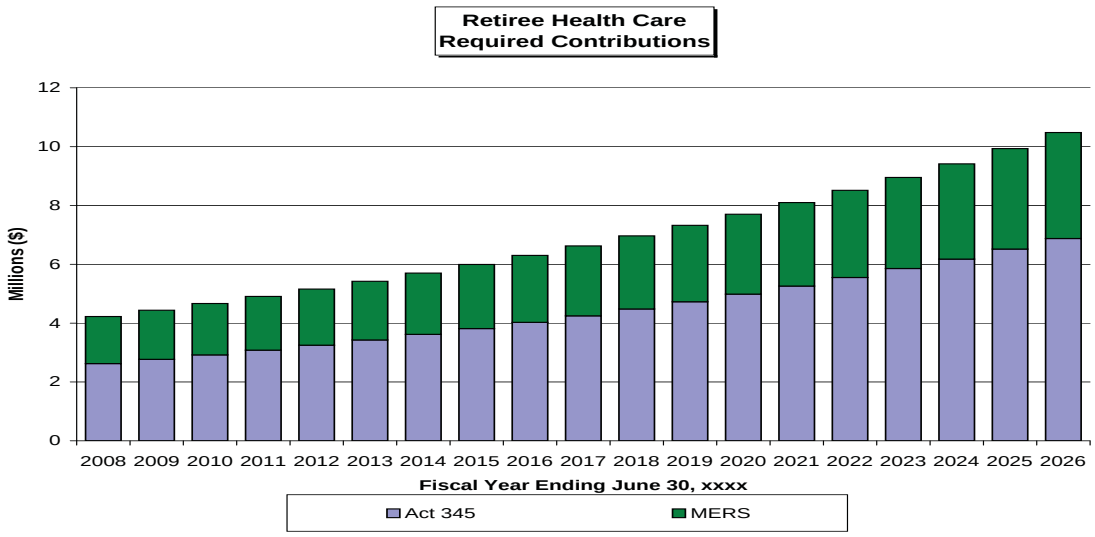
One of the most important fringe benefits to monitor with an eye toward cost control is medical insurance. Despite the downward employment trend since 1999-00, due to workforce reductions, medical cost increases remained in the double digits through FY 2003-04, the hardest impact of which is demonstrated in the chart shown on the following page, which compares the City's medical insurance premiums over the last twelve years. Due to the elimination of full-time positions, the City experienced a decrease of 7.2% in FY 2005-06. The FY 2006-07 change is reflective of the elimination of two full-time positions and the moving of those covered by Blue Cross Blue Shield to MERS Premier Health on July 1, 2006, which provided over $325,000 in savings to the City. Although our rates have increased an average of 11% per year , the premiums for MERS Premier Health are still projected to be significantly less than the premiums would have been under Blue Cross Blue Shield.




## Retiree Medical Insurance

Future labor agreements must control medical insurance premiums especially as the City attempts to fund retiree health care. In April of 2004, the Government Accounting Standards Board (GASB) issued regulations for the purpose of improving disclosure for liability associated with future retiree health care costs, similar to the existing pension obligation disclosure requirements. Based on these GASB guidelines, the City was required to begin reporting our liability and contributions to fund these liabilities over the next 30 year time frame.

This liability that is calculated to be $59.2 million over the next 30 years. Based on two studies of these projected liabilities, the actuary has set contribution rates of 19.68% and 18.33% of total wages for Police and Fire Pension and MERS Pension employees respectively. As shown in the chart above, the total budgeted expense for this liability exceeds $4.5 million in FY 2008-09 with $2.4 million for prefunding and $2.0 million for current year retiree health care premiums. Projecting forward over the next 20 years, this contribution will increase to over $10.4 million annually by FY 2025-06!



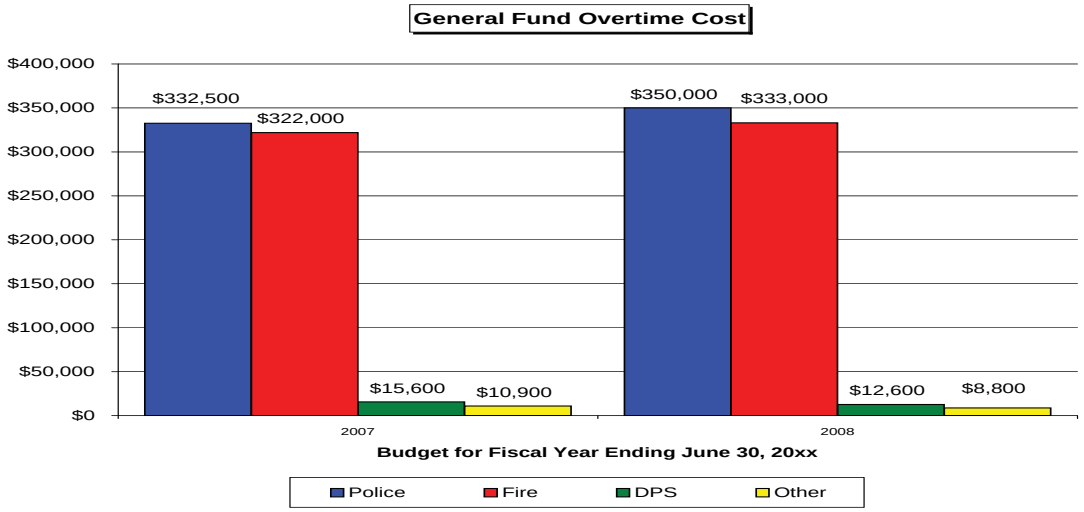

## Pensions

The second largest fringe benefit cost component is the employer's contribution to the employee retiree pension plans. This expense is budgeted to be $2.4 million in FY 2008-09. The City's full-time workforce is divided into two pension groups. All Police and Fire sworn employees are members of the Police and Fire Pension Fund established pursuant to Michigan Public Act 345. The remainder of the full-time employee workforce is covered by the Municipal Employees' Retirement System (MERS).

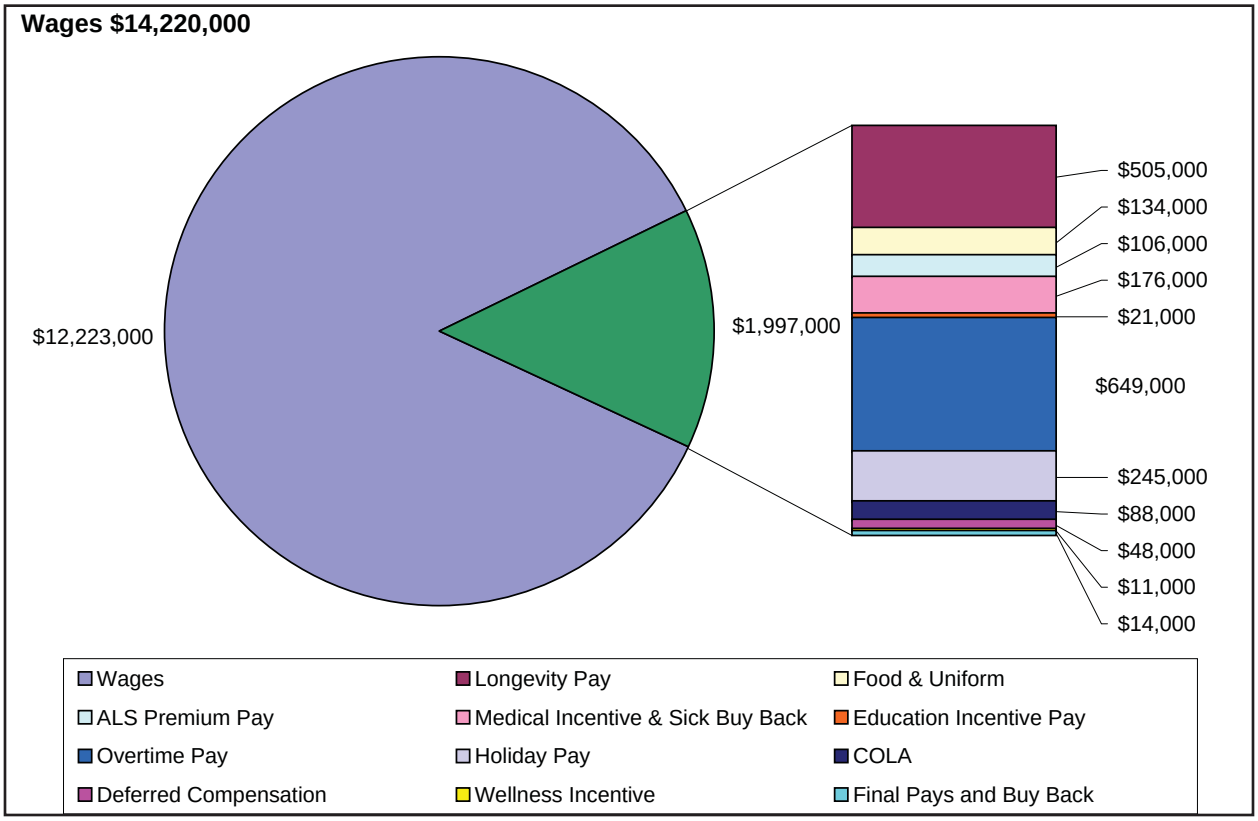
The budget for the employer contribution to the Police and Fire Pension Fund is 21.9% of total wages based on the City's actuary 2007 recommended contribution rates. In regard to the MERS plan, the pension contribution is budgeted by union group ranging from 7.00% for District Court Clerks to 19.59% for non-Union Court Employees and Department Heads. For comparison purposes, the average MERS contribution rate increased from 11.34% in 2007-08 to 11.55% for FY 2008-09.

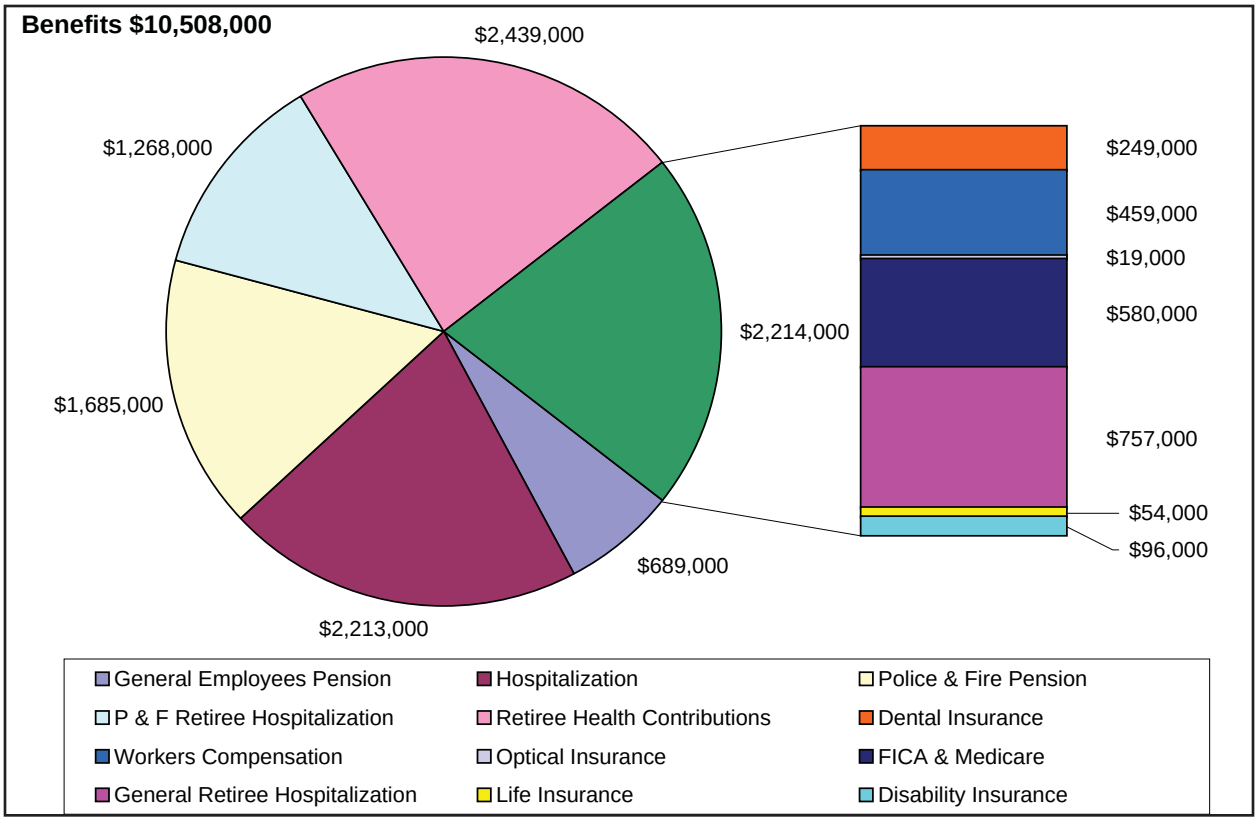
## Overtime

Overtime cost for all funds increased over the FY 2007-08 budget 2.5%, despite the increases in the Police and Fire Departments, which increased $17,000 or 5.3% and $10,600 or 3.3% respectively, the General Fund overtime budgets are up $23,300.



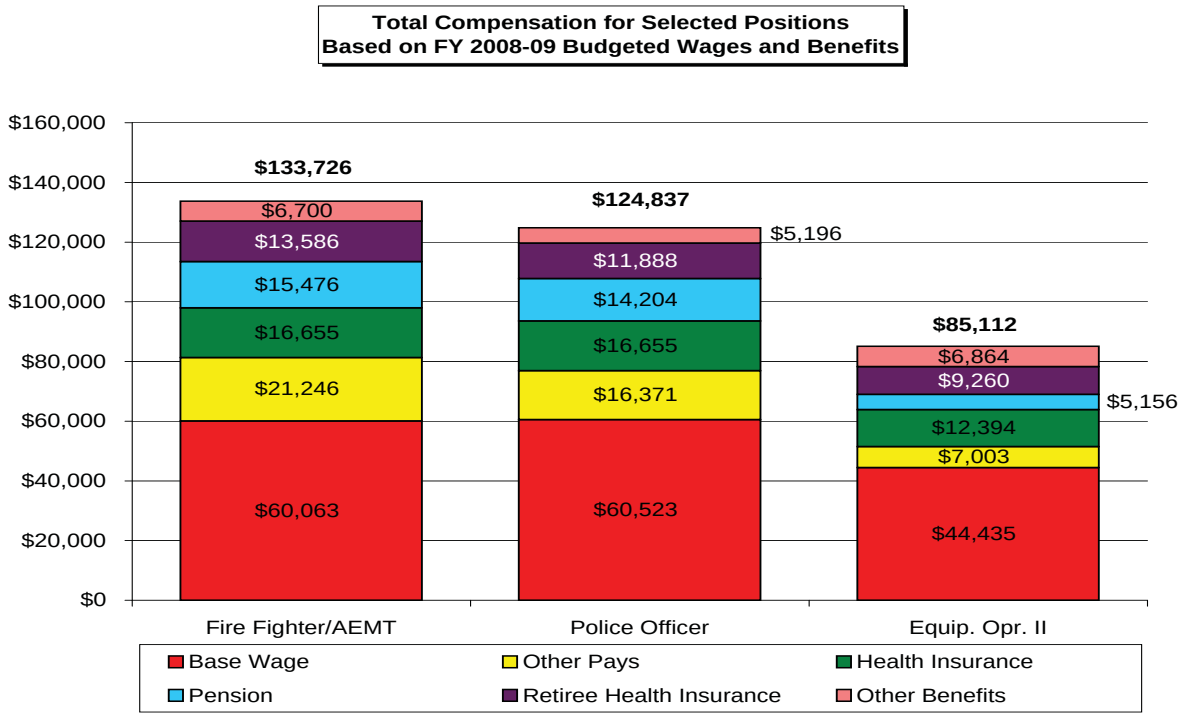
## Wage and Fringe Benefit Costs ($24,728,000)
## Fiscal Year 2008-09 Budget
## All Funds



## Total Compensation Analysis

In planning for collective bargaining, it is necessary to look at total compensation. For comparative purposes, the next bar chart shows the total FY 2008-09 compensation amount and component percentages for the positions of Fire Fighter/AEMT, Police Officer, and Equipment Operator II, assumed at maximum wage and longevity, and an average overtime cost. With benefits, the Fire Fighter/AEMT and Police Officer receive very similar annual total compensation of $133,726 and $124,837 respectively. The equipment operator receives annual compensation in the amount of $85,112. Fringe benefits range from 47% to over 55% of total compensation!




Of course, wages are comprised of pay for time worked and pay for time not worked. The value of leave time is an important wage component to track for purposes of productivity analysis and cost control. The following table shows the cost of leave time for a Police Officer in FY 2008-09. The position's compensation calculation assumes the maximum wage step and longevity.

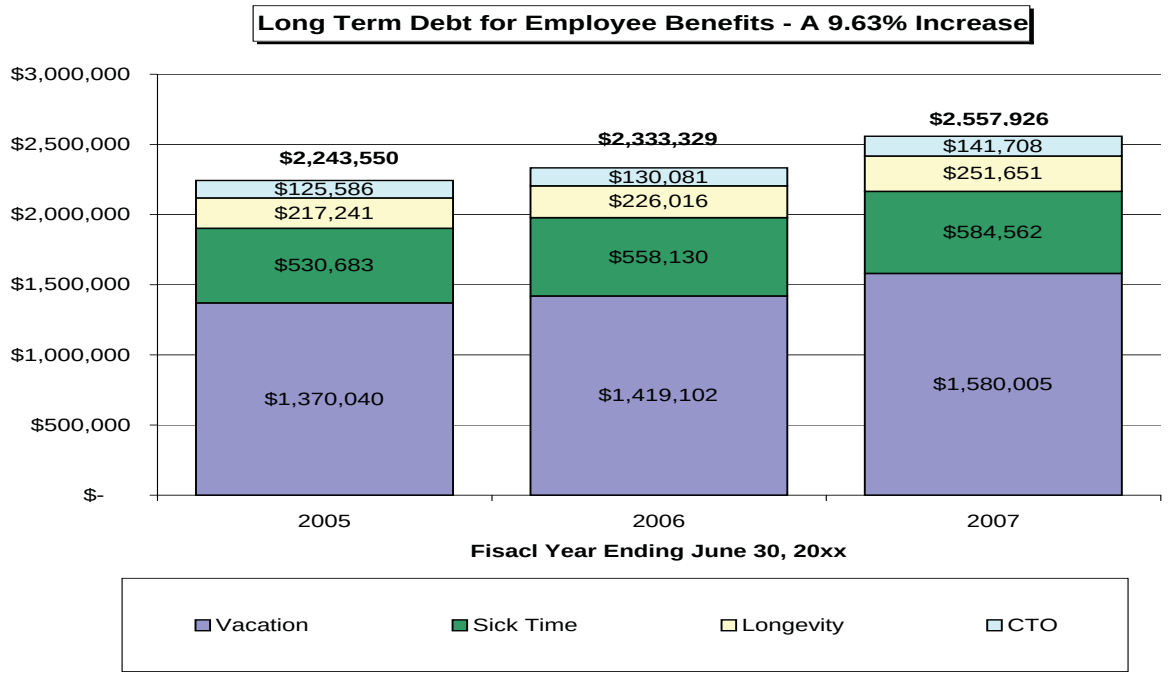
This chart shows the analysis of leave time cost for a Police Officer at maximum wage step and benefits based on FY 2008-09 wages.

| Leave Benefit | Days Off Per Year | Value of Leave Benefit |
|---|---|---|
| Vacation | 25 | $12,004 |
| Holidays | 13 | $6,242 |
| Admin. Leave Days | 6 | $2,881 |
| Sick leave (Max. of 12) | 5 | $2,401 |
| Personal Leave Days | 2 | $960 |
| Total | 51 | $24,487 |

As shown on the previous chart, this Police Officer could have approximatly one day off per week!

Cash benefits include compensation and other fringe benefits apart from the compensation received for time worked and leave time. Specifically, cash benefits include cost-of-living payments (COLA), sick leave buy-back payments, longevity pay, holiday pay, medical insurance incentive (if applicable), education incentive, uniform allowance. Other fringe benefits include hospitalization insurance premiums, Medicare employer contributions, optical insurance premiums, dental insurance premiums, life insurance premiums, short-term and long-term disability insurance premiums, workers compensation premiums, and pension contributions.

In addition, the value of unused employee leave can represent a significant liability for the City. The following chart shows just how expensive these leave allotments can be by focusing on the key benefits of vacation, sick leave, longevity, and compensatory time off (CTO).




This chart is illustrative of the liability for these benefits as of the last audited fiscal year June 30, 2007. This 9.63% increase is attributable to an increased pension contribution rate of 22.9% as compared to 17.3% the prior year, a 3% wage increase and additional employees reaching the ten year longevity date for vesting sick leave and increased longevity percentage.